

Message Text

SECRET

PAGE 01 STATE 258148

14
ORIGIN NEA-07

INFO OCT-01 SS-14 ISO-00 PM-03 NSC-05 NSCE-00 INR-05

CIAE-00 DODE-00 ACDA-10 PRS-01 EB-03 TRSE-00 MC-01

L-01 OMB-01 IGA-01 H-01 /054 R

DRAFTED BY NEA/PAB:DBARCHARD/GN
APPROVED BY NEA:ADUBS
NEA/PAB:PWLANDE(DRAFT)
PM/SAS:DKEENE (DRAFT)

----- 120995

R 190048Z OCT 76
FM SECSTATE WASHDC
TO AMEMBASSY DACCA
INFO AMEMBASSY ISLAMABAD
AMEMBASSY NEW DELHI

S E C R E T STATE 258148

LIMDIS

E.O. 11652:GDS

TAGS: PARM, MASS, BG, US

SUBJECT:ARMS SUPPLY POLICY TOWARD BANGLADESH

REF: STATE 252346

1. DEPUTY ASSISTANT SECRETARY DUBS CALLED IN AMBASSADOR
SIDDIQI ON OCTOBER 15 TO PROVIDE FOLLOW UP INFORMATION ON
ARMS SUPPLY WHICH UNDER SECRETARY HABIB PROMISED ADMIRAL
KHAN OCTOBER 6. POINTS DISCUSSED WERE AS FOLLOWS:

2. FMS FINANCING: DUBS GAVE AMBASSADOR A BRIEF "TECHNICAL"
PAPER ON FMS FINANCING. TEXT OF THE PAPER IS AS FOLLOWS:
ELIGIBILITY - THE PRESIDENT MUST FIND THAT THE FURNISHING
OF DEFENSE ARTICLES AND SERVICES WILL STRENGTHEN THE SEC-
SECRET

SECRET

PAGE 02 STATE 258148

URITY OF THE UNITED STATES AND PROMOTE WORLD PEACE BEFORE

A COUNTRY IS ELIGIBLE TO PURCHASE MILITARY DEFENSE ARTICLES AND SERVICES FROM THE USG USING FOREIGN MILITARY SALES (FMS) PROCEDURES--THIS IS OF COURSE A PREREQUISITE BEFORE FMS FINANCING CAN BE PROVIDED. THIS FINDING BY THE PRESIDENT IS NOTIFIED TO CONGRESS AND PUBLISHED IN THE FEDERAL REGISTER. FINANCING - AS A FURTHER STEP, SHOULD THE UNITED STATES DECIDE TO EXTEND FMS FINANCING, THERE ARE TWO TYPES OF FINANCING POSSIBLE--FMS CREDITS AND USG GUARANTEED FMS LOANS. (THE DIFFERENCE BETWEEN THE TWO IS PRIMARILY ONE OF

INTERNAL US APPROPRIATIONS AND ACCOUNTING PROCEDURES AND THE FORMER IS RARELY USED TODAY). SINCE 1974 WHEN CONGRESS AUTHORIZED THE FEDERAL FINANCING BANK (FFB) TO EXTEND FMS LOANS, VIRTUALLY ALL FMS FINANCING HAS BEEN PROVIDED THROUGH THE FFB. BY LAW THE INTEREST RATE CHARGED ON ALL DIRECT AND FMS LOANS MUST BE NO LESS THAN THE COST OF MONEY TO THE USG. THE FFB DOES NOT PROVIDE CONCESSIONAL FINANCING. THE COST OF MONEY TO THE USG IS DETERMINED BY THE US DEPARTMENT OF TREASURY AND THE INTEREST RATE ON EACH LOAN VARIES WITH LENGTH OF THE REPAYMENT TERM. REPAYMENT TERMS ARE NORMALLY FROM FIVE TO EIGHT YEARS. FOR EXAMPLE, RECENTLY THE FFB EXTENDED A USG GUARANTEED FMS LOAN TO A FOREIGN COUNTRY FOR EIGHT YEARS AT AN INTEREST RATE OF 8.08 PERCENT. END OF TEXT.

3. DUBS EXPLAINED THAT THE PAPER WAS INTENDED FOR THE BDG'S BACKGROUND AND STRESSED THAT IT DID NOT IMPLY ANY COMMITMENT. HE FURTHER RULED OUT THE POSSIBILITY OF ANY CONCESSIONAL SALES OR GRANTS UNDER THE FMS SYSTEM.

4. HYDRO-GRAPHIC RESEARCH SHIP: AMBASSADOR SIDDIQI CONFIRMED THAT THE BANGLADESH EMBASSY IS IN CONTACT WITH AID OFFICIALS CONCERNING DETAILS OF THE HYDRO-GRAPHIC RESEARCH SHIP WHICH KHAN MENTIONED. DUBS PROMISED THAT AID WILL CAREFULLY EXAMINE THE MATTER AFTER THE BDG MAKES CLEAR WHAT KIND OF SHIP IT IS SEEKING. HE POINTED OUT, HOWEVER, THAT PROVIDING SUCH A SHIP WOULD BE CONSIDERABLY OUTSIDE THE SCOPE OF THE CURRENT AID CONGRESSIONAL MANDATE WHICH IS AIMED AT MORE DIRECT AND IMMEDIATE BENEFIT TO

SECRET

SECRET

PAGE 03 STATE 258148

THE NEEDIEST. CONSEQUENTLY, HE SAID IT WOULD BE UNUSUAL FOR AID TO HAVE ANY INVOLVEMENT IN SUCH A PROJECT.

5. BDG MILITARY TEAM: DUBS CONVEYED TO SIDDIQI DEPUTY DEFENSE SECRETARY CLEMENT'S AGREEMENT THAT A WORKING LEVEL BD MILITARY TEAM WOULD BE WELCOME TO COME TO WASHINGTON TO DISCUSS MILITARY EQUIPMENT. DUBS MADE CLEAR THAT PRIOR TO THE TEAMS ARRIVAL, WE WOULD EXPECT THE BDG TO

SUBMIT A LIST OF THEIR ARMS NEEDS, RANKED IN PRIORITY ORDER FOR OUR REVIEW. ON THE BASIS OF WHAT KHAN TOLD HABIB, WE WOULD EXPECT THAT TRANSPORTATION AND COMMUNICATION ITEMS WOULD RANK HIGH. THE TEAM WOULD BE EXPECTED TO FOCUS ON DETERMINING COMMERCIAL SUPPLIERS OF ITEMS SOUGHT, ON THE AVAILABILITY AND QUALITY OF VARIOUS TYPES OF EQUIPMENT, AND ON THE COST OF PARTICULAR ITEMS. DUBS SAID THAT DISCUSSION OF "MS DETERMINATION OR FINANCING WOULD BE CONSIDERED OUTSIDE THE SCOPE OF THE TEAMS ACTIVITY. AMBASSADOR SIDDIQI NOTED THAT THE BDG HOPES TO SEND A THREE MAN TEAM, ONE FROM EACH OF THE SERVICES. IN AN EN-

SUING DISCUSSION OF THE TERM "WORKING LEVEL", IT WAS AGREED THAT COLONEL OR LIEUTENANT COLONEL OR THEIR EQUIVALENT WOULD BE APPROPRIATE.

6. IN RESPONSE TO SIDDIQI'S QUESTION ABOUT THE POSSIBILITY OF OBTAINING GRANTS, DUBS STRESSED THAT THERE WERE NONE, EVEN FOR NON-LETHAL EQUIPMENT. DUBS ASKED IF ANY THIRD COUNTRIES ARE PREPARED TO HELP OUT THE BANGLADESHIS WITH MONEY FOR THEIR ARMS NEEDS. SIDDIQI MENTIONED NONE. TO THE AMBASSADOR'S QUESTION ABOUT THE QUANTUM OF MATERIAL WE WOULD BE PREPARED TO SUPPLY, DUBS ASKED HOW MUCH THE BDG THINKS IT CAN AFFORD?

7. A DISCUSSION ENSUED ON COMMERCIAL FINANCING ARRANGEMENTS. WE STRESSED THAT MOST COMMERCIAL SALES OF MILITARY EQUIPMENT ARE FINANCED BY COMMERCIAL BANKS AT PREVAILING INTEREST RATES (CURRENTLY AROUND 8 AND FOR SHORT TERMS, THREE TO FIVE YEARS). WE EXPLAINED THE RELUCTANCE OF EXIM OR FCIA TO GET INVOLVED IN SOUTH ASIA IN GENERAL OR BANGLADESH IN PARTICULAR, AND STRESSED THAT ANY COMMERCIAL

SECRET

PAGE 04 STATE 258148

CIAL FINANCING WITHOUT EXIM OR FCIA INVOLVEMENT WOULD BE VERY DIFFICULT TO ARRANGE (AS THE RECENT HELICOPTER CASE HAS MADE CLEAR).

8. SIDDIQI ASKED ABOUT THE AVAILABILITY OF SURPLUS LANDING CRAFT. WE EXPLAINED THAT WE WILL BE AS FORTHCOMING WITH LANDING CRAFT AS WE CAN BE BUT NOTED THAT IT IS OFTEN DIFFICULT FOR COUNTRIES NOT ELIGIBLE FOR FMS TO PURCHASE SURPLUS EQUIPMENT.

9. ACTION REQUESTED: TO PREVENT ANY POSSIBLE MISUNDERSTANDING, YOU SHOULD CALL ON ADMIRAL KHAN AS SOON AS POSSIBLE TO REPEAT THE SUBSTANCE OF WHAT WE TOLD SIDDIQI. IN DOING SO YOU SHOULD STRESS THE FOLLOWING POINTS: (A) THAT THE FMS PAPER WAS PROVIDED FOR THEIR INFORMATION ONLY.

(B) THAT WE WILL LOOK FURTHER INTO THE MATTER OF THE RESEARCH SHIP SUBSEQUENT TO BDG'S PROVIDING US CLARIFYING INFORMATION. (C) THAT THE MILITARY TEAM WOULD BE WELCOME TO COME HERE TO FOCUS PRIMARILY ON COMMERCIAL SALES, SUBSEQUENT TO THE BDG'S GIVING US A REVISED LIST. IF IN YOUR JUDGMENT IT WOULD BE USEFUL TO PASS THIS INFORMATION ALONG TO OTHER BDG OFFICIALS, FOR EXAMPLE THE FOREIGN SECRETARY, YOU ARE AUTHORIZED TO DO SO. KISSINGER

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MILITARY ASSISTANCE, DIPLOMATIC DISCUSSIONS, ARMS SHIPMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 OCT 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE258148
Document Source: CORE
Document Unique ID: 00
Drafter: DBARCHARD/GN
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760391-0963
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761037/aaaabfjh.tel
Line Count: 177
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 76 STATE 252346
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUN 2004 by buchant0>; APPROVED <30 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARMS SUPPLY POLICY TOWARD BANGLADESH
TAGS: PARM, MASS, BG, US
To: DACCA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006